



M

B128956

18/08/2010

L100127593.01

CDO : 805

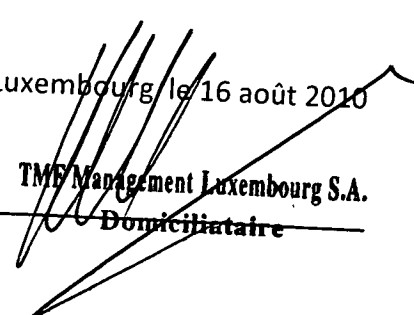
MENTION

Nom de la Société : **Flagship Mortgage Finance S.A.**
Siège Social : 1, allée Scheffer
L-2520 Luxembourg
N° du Registre de Commerce : **B-128.956**
CDD : 805 (TMF Management Luxembourg S.A.)

Le Bilan au 31 décembre 2009
a été déposé au Registre de Commerce et des Sociétés de Luxembourg
le

Pour mention aux fins de publication au Mémorial, Recueil Spécial des Sociétés et Associations.

Lieu et date : Luxembourg, le 16 août 2010

Signature : 
TMF Management Luxembourg S.A.
~~Domiciliaire~~



E

B128956

18/08/2010 L100127593.02

CDO : 805

FLAGSHIP MORTGAGE FINANCE S.A.
Société Anonyme
(Luxembourg)

ANNUAL ACCOUNTS
AS AT DECEMBER 31, 2009

1, Allee Scheffer
L-2520 Luxembourg
R.C.S. Luxembourg: B - 128.956

19-08-2010

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

<u>Index</u>	<u>Page</u>
Directors' report	3
Balance sheet	4
Profit and loss account	5
Notes to the annual accounts	6 - 9
Auditor's report	10

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

Directors' Report

The directors present their annual report and the annual accounts for the year from January 1, 2009 to December 31, 2009.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The Company shall have as its business purpose securitization (within the meaning of the Law of March 22, 2004 on securitizations, thereafter the "Securitization Law") of assets of any type and nature.

The Company may issue securities of any nature and in any currency and borrow and raise funds in any form; use its funds for the acquisition, the management and the disposal of the assets, and, to the largest extent permitted by the Securitization Law, pledge, mortgage or charge or otherwise create security interests in and over its assets, property and rights to secure its obligations.

The Company may dispose of its assets pursuant to and in accordance with agreements it may enter into with its investors and creditors and any person from whom it acquires assets.

In general, the company may employ any technique and instrument relating to its assets or investments for the purpose of their efficient management, including techniques and instruments to protect against exchange risks and interest rate risks and may take any controlling and supervisory measures and carry out any financial, moveable or immovable commercial and industrial operation which it may deem useful in the accomplishment and development of its purpose.

The Company is subject to the Securitisation Law and may only carry out the above-described activities if and to the extent they do not fall outside the scope of the Securitisation Law.

The total expenses of EUR 6,438,925 are represented mainly by contribution to loan providers and interest payable.

The income of EUR 6,438,925 is represented mainly by other interest receivable and similar income.

2. RESULTS AND ALLOCATION

The result for the year ended December 31, 2009 is nil.

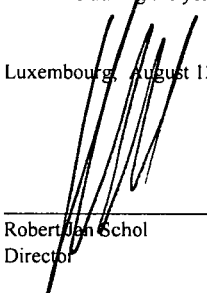
3. POST BALANCE SHEET EVENTS

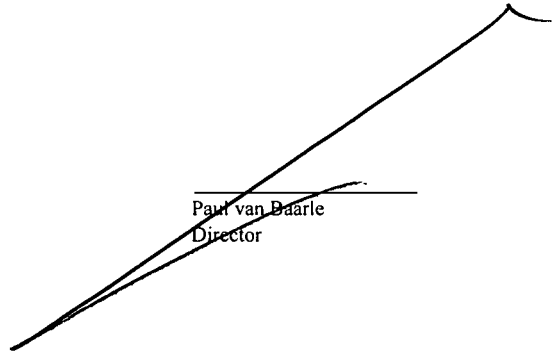
The transaction has been terminated and the company will be dissolved in 2010.

4. PROPOSAL

We propose the approval of the annual accounts and to give full discharge to the board of directors and the independent auditor for their mandates during the year to December 31, 2009.

Luxembourg, August 12, 2010


Robert-Jan Schol
Director


Paul van Baarle
Director

19-08-2010

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

BALANCE SHEET
As at December 31, 2009
(Expressed in EUR)

		<u>12/31/2009</u>	<u>12/31/2008</u>
<u>ASSETS</u>			
A - FORMATION EXPENSES	NOTE (3)	<u>20.166</u>	<u>376.143</u>
		20.166	376.143
B- FIXED ASSETS			
I. Financial assets			
I. Other loans	(4)	<u>14.286.117</u>	<u>39.076.305</u>
		14.286.117	39.076.305
C- CURRENT ASSETS			
I. Debtors			
I. Other debtors			
a) becoming due and receivable within one year	(5)	263.382	902.359
II. Cash at bank	(6)	<u>57.239</u>	<u>2.086.915</u>
		320.621	2.989.274
		<u>14.626.904</u>	<u>42.441.722</u>
<u>LIABILITIES</u>			
A - CAPITAL AND RESERVES			
I. Subscribed capital		31.000	31.000
II. Legal reserve		<u>3.100</u>	<u>3.100</u>
	(7)	34.100	34.100
B - CREDITORS			
I. Loans			
I. Loans			
a) becoming due and payable after more than one year	(8)	<u>14.460.275</u>	<u>42.266.863</u>
		14.460.275	42.266.863
II. Other creditors			
a) becoming due and payable within one year	(9)	<u>132.529</u>	<u>140.759</u>
		132.529	140.759
		<u>14.626.904</u>	<u>42.441.722</u>

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2009
(Expressed in EUR)

		01/01/2009 - 12/31/2009	01/01/2008 - 12/31/2008
<u>EXPENSES</u>			
1. OTHER EXTERNAL CHARGES	(10)	266.399	202.723
2. VALUE ADJUSTMENT IN RESPECT OF FORMATION EXPENSES	(3)	355.978	372.093
3. INTEREST PAYABLE AND SIMILAR CHARGES	(11)	2.838.219	4.157.634
4. CONTRIBUTION TO LOAN PROVIDERS	(8)	2.978.329	-
		<hr/>	<hr/>
	TOTAL	<u>6.438.925</u>	<u>4.732.450</u>
 <u>INCOME</u>			
1. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	(12)	6.438.925	2.957.450
2. CONTRIBUTION FROM LOAN PROVIDERS	(8)	-	1.775.000
		<hr/>	<hr/>
	TOTAL	<u>6.438.925</u>	<u>4.732.450</u>

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

NOTES TO THE ANNUAL ACCOUNTS
December 31, 2009

1 - GENERAL

Flagship Mortgage Finance S.A. (hereafter the "Company") was incorporated in Luxembourg on June 8th, 2007 as a "société anonyme".

The Company has its registered office at 1, Allee Scheffer, Luxembourg and is registered at the Luxembourg Commercial Register under number R.C.S Luxembourg: B - 128.956.

The object of the Company is the securitization (within the meaning of the law of March 22, 2004 on securitizations, hereafter the Securitization Law) of assets of any type and nature.
The Company may issue securities of any nature and in any currency and borrow and raise funds in any form; use its funds for the acquisition, the management and the disposal of the assets and pledge, mortgage or charge or otherwise create security interests in and over its assets, property and rights to secure its obligations.
The Company may dispose of its assets pursuant to and in accordance with agreements it may enter into with its investors and creditors and any person from whom it acquires assets.

In general the Company may employ any techniques and instruments relating to its assets or investments for the purpose of their efficient management, including techniques and instruments to protect against exchange risk and interest rate risks and may take any controlling and supervisory measures and carry out any financial, moveable and immoveable commercial and industrial operation which it may deem useful in the accomplishment and development of its purpose.

The share capital of the Company is EUR 31,000 divided into 3,100 ordinary shares of EUR 10 each. 3,100 ordinary shares are held by Stichting Flagship Mortgage Finance domiciled in the Netherlands.

The Company's accounting year starts on January 01, and ends on December, 31 of each year, except for the first year, which began on June 8th, 2007 (date of incorporation of the Company) and ended on December 31, 2007.

2 - SIGNIFICANT ACCOUNTING POLICIES

The annual accounts are prepared in accordance and compliance with Luxembourg Law and Generally Accepted Accounting Principles (Lux GAAP) and are prepared under historical cost convention.

Assets and liabilities

Unless stated otherwise, assets and liabilities have been stated at their historical cost, expressed in euros ("EUR").

Formation expenses

Formation expenses are depreciated on straight-line basis.

Financial assets

Financial assets consist of the mortgage certificates portfolio purchased from FORA Bank. Financial assets are recorded at historical cost less any permanent diminution in value, expressed in EUR. Based on the October 2009 report there is no indication that the portfolio is a subject to the permanent diminution in value.

Foreign currencies

The Company holds its books and records in EUR and its annual accounts are expressed in EUR.
Assets and liabilities, denominated in foreign currencies, are translated into EUR at the exchange rates in effect at the balance sheet date. Translation differences arising are taken to the Statement of Income and Expenses.

Income and expenses in currencies other than EUR are translated into EUR at the exchange rates prevailing at transaction date.

Current debtors

Current debtors are carried at anticipated realisable value. An estimate is made for doubtful accounts receivable based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Current creditors

Debits are recorded at their amount repayable.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Contribution to / from the Noteholders

Pursuant to the provisions of the Securitization Law to the transaction documents, the net operating profits and losses arising from the transaction are fully allocated to the Noteholders through the contribution to / from the Noteholders.

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)
December 31, 2009
Expressed in EUR

BALANCE SHEET**3. Formation expenses**12/31/200912/31/2008

The formation expenses are composed of expenses arising at the closing of the transaction

The movements for the year are as follows:

Cost	861.868	861.868
Opening balance	(485.725)	(113.632)
Amortization for the year	(355.978)	(372.093)
Accumulated amortization	(841.702)	(485.725)
Net book value at the end of the year	20.166	376.143

The capitalized issue expenses are being amortized on a line basis until the year 2010 (the maturity of the transaction).

4. Financial assets

On September 4th, 2007 the Company entered into the securitisation transaction, and especially, a funding facility agreement and subordinated loan agreement between, among others, the Company, ZAO Raiffeisen Austria and TMF Trustee Limited, and a master sale and purchase agreement between, among others, FORA Bank, the Company and TMF Trustee Limited. The securitisation transaction consist of the acquisition of a mortgage certificate portfolio from FORA Bank using proceeds from the loans provided under the funding facility agreements.

Movements of the Mortgage Portfolio during the year have been as follows:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Mortgage certificates		
Balance at the beginning of the year	39.076.305	10.632.169
Acquisitions for the year	-	32.621.843
Repayments during the year	(24.790.188)	(4.177.707)
Balance at the end of the year	14.286.117	39.076.305

As a result of call option exercise the originator "FORA Bank" repurchased the remaining financial assets during the year 2010.

5. Other debtors

Other debtors are composed as follows:

a) becoming due and payable within one year

	<u>12/31/2009</u>	<u>12/31/2008</u>
Principal collections due from the Servicer	120.121	510.199
Interest receivable from Mortgage Portfolio	143.261	392.160
Balance	263.382	902.359

6. Cash at bank

The cash at bank is composed as follows:

	<u>12/31/2009</u>	<u>12/31/2008</u>
ING Bank: (EUR)	33.700	33.833
Bank of New York:		
Distribution account (USD)	23.539	1.538.927
Reserve account (USD)	-	514.155
Balance	57.239	2.086.915

The accounts held by the Company at Bank of New York are pledged by the Company as security for the loans.

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)
December 31, 2009
Expressed in EUR

BALANCE SHEET - continued

7. Capital and reserves

The movements of the year are as follows:

	Subscribed capital	Legal reserve	Total
Balance as at January 1, 2009	31.000	3.100	34.100
Profit/ (Loss) for the year	-	-	-
Balance as at December 31, 2009	31.000	3.100	34.100

Subscribed capital:

As at December 31, 2009, the issued and fully paid up subscribed capital amounts to EUR 31,000 and is represented by 3,100 shares with a par value of EUR 10 each.

Legal reserve:

Luxembourg companies are required to allocate to a legal reserve minimum of 5% of the annual net income until this reserve equals to 10% of the subscribed share capital. This reserve may not be distributed.

8. Loans

The loans are composed as follows:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Funding Loan	4.473.513	35.593.977
Subordinated Loan	9.193.860	8.858.313
Provision on the loans	792.902	(2.185.427)
Balance at the end of the year	14.460.275	42.266.863

The Loans have been fully redeemed in 2010 and the transaction terminated.

As at December 31, 2009, the Notes characteristics are as follows:

	Principal (Original Currency)	Principal (EUR)	Annual interest
Funding Loan	USD 6.444.542	4.473.513	1 month USD Libor + 1.75%
Subordinated Loan	USD 13.244.675	9.193.860	variable

On September 4, 2007 the Company entered into the funding facility agreement and subordinated loan agreement with ZAO Raiffeisen Austria and FORA Bank. The proceeds received from loans (after payment of all applicable fees and expenses) were used to finance the acquisition of the initial Mortgage Portfolio.

The loans are limited recourse obligations of the Company and are payable solely out of amounts received by or on behalf of the Company in respect of the collateral. Payments on the loans, both prior to and following the enforcement of the security over the collateral are subordinated to the prior payment of certain fees and expenses of the Company. The net proceeds of the realization of the security over the collateral following an event of default may be insufficient to pay all amounts due to the loan providers. In this event, the Company will not be obliged to make any further payments and all claims against the Company will be extinguished.

Interest on the loans is payable on the monthly basis in arrear.

Shortfalls will be borne by the loan providers in the inverse order of the priority of payments; additions are fully payable to the subordinated loan provider. Consequently, an equalization provision has been created under the caption "Contribution on the loans" and shown as a deduction from the Loans Payable in order to reflect the realization value of the Loans Payable as at the balance sheet date. Annually, reduction from the Loans Payable may vary as a result of the performance of the underlying portfolio. During the year 2010 the loans have been repaid in full.

9. Other creditors

Other creditors are composed as follows

	<u>12/31/2009</u>	<u>12/31/2008</u>
Interest payable on loans	47.476	87.227
Accrued transaction expenses	12.258	8.524
Other payables	72.795	45.008
Balance	132.529	140.759

FLAGSHIP MORTGAGE FINANCE S.A.
(Luxembourg)NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)
December 31, 2009
Expressed in EUR**PROFIT AND LOSS ACCOUNT****10. Other external charges**

The other external charges are split as follows:

	<u>01/01/2009 - 12/31/2009</u>	<u>01/01/2008 - 12/31/2008</u>
Servicing fees	106.266	80.731
Management fees	97.875	57.543
Legal fees	16.218	36.638
Audit fees	18.112	18.112
Other fees	27.928	9.699
Balance	<u>266.399</u>	<u>202.723</u>

11. Interest payable and similar charges

The interest payable and similar charges are composed as follows:

	<u>01/01/2009 - 12/31/2009</u>	<u>01/01/2008 - 12/31/2008</u>
Interest on Loans	2.373.377	1.540.287
Commitment fee	206.961	114.539
Currency losses	257.747	2.502.643
Other expenses	134	165
Balance	<u>2.838.219</u>	<u>4.157.634</u>

12. Other interest receivable and similar income

	<u>01/01/2009 - 12/31/2009</u>	<u>01/01/2008 - 12/31/2008</u>
Interest income from Mortgage Portfolio	3.761.530	2.954.867
Bank interest income	-	1.315
Currency gains	2.677.395	54
Other income	-	1.214
Balance	<u>6.438.925</u>	<u>2.957.450</u>

13. Personnel

During the period under review, the Company did not employ any personnel and, consequently, no payment for wages, salaries or social securities were made.

14. Tax

The Company is subject to all taxes applicable to commercial companies in Luxembourg. Pursuant to the provision of the law of 22 March 2004, the commitments to remunerate investors for issued notes or bonds and other creditors are fully deductible, so the result is nil and therefore the tax impact is nil.

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
Flagship Mortgage Finance S.A.
1, Allée Scheffer
L-2520 Luxembourg

Report on the annual accounts

We have audited the accompanying annual accounts as at December 31, 2009 of **Flagship Mortgage Finance S.A.**, which comprise the Balance sheet, the profit and loss account for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Board of directors' responsibility for the annual accounts

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion these annual accounts give a true and fair view of the financial position of **Flagship Mortgage Finance S.A.** as of December 31, 2009, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The Directors report, which is the responsibility of the board of directors, is consistent with the annual accounts.

Luxembourg, August 12, 2010.

A handwritten signature in black ink, appearing to be 'B. Jacmohone', written in a cursive style.

L'Alliance Révision S.à r.l.
Cabinet de révision agréé
Represented by Bishen Jacmohone
Réviseur d'entreprises agréé